

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Urban Wildlife Specialist (DNR -- Fish, Wildlife and Recreational Aids)

[LFB Summary: Page 410, #7]

CURRENT LAW

A \$1 wildlife damage surcharge (\$2 for the conservation patron license) is added to most hunting licenses to fund payments to counties under the wildlife damage abatement and claims programs. The wildlife damage surcharge generated approximately \$1,037,800 in 1995-96. Revenue from the \$12 (\$20 nonresident) bonus deer permit is also used for the wildlife damage claims and abatement programs. These permits generated \$2,064,600 during 1995-96 (for total revenues of \$3.1 million).

The wildlife damage abatement and claims programs provide landowners in participating counties financial assistance to: (a) implement projects to reduce crop damage; and (b) partially reimburse their losses from damage caused by deer, bear and geese. Revenue from the surcharge and bonus permits also pay for the Department's costs of removing wild animals that cause damage, and for responding to complaints about wild animals, or their structures, which are causing a nuisance (\$100,000 annually). Expenditures in 1995-96 totalled \$2.6 million.

GOVERNOR

Reallocate \$46,200 SEG and 1.0 vacant wildlife biologist position annually for an urban wildlife specialist. The urban wildlife specialist position would be funded from wildlife damage surcharge revenue and would focus on urban wildlife damage and nuisance problems.

DISCUSSION POINTS

1. Currently, DNR works primarily with municipal governments to handle urban wildlife problems, primarily relating to deer, geese and coyote. DNR does not grant deer removal permits to individuals, but does grant removal permits to municipalities for deer causing extraordinary damage. A number of Wisconsin municipalities (such as Mequon, Chenequa and Bayside) utilize sharpshooters to control urban deer, while some use other methods, including trapping the deer and selling them to game farms (River Hills).
2. The central DNR contact for urban wildlife damage issues is the wildlife damage specialist, whose main responsibility is to coordinate the wildlife damage abatement and claims programs and provide other information on wildlife damage to farmers. In addition, DNR regional staff also provide assistance on wildlife matters.
3. Any individual or municipality with a wildlife problem can also contact the U.S. Department of Agriculture's Animal Damage Control program (USDA-ADC), which has staff in Rhinelander and Waupun. USDA-ADC officials generally provide advice on how to handle deer problems, information on pertinent rules and regulations and referrals to local wildlife managers.
4. DNR program staff indicate that the proposed urban wildlife damage specialist would focus primarily on wildlife damage problems at the city and village level, but that assistance to townships would also likely be provided by the position as well. Other responsibilities of the position would be to assist in policy development within the Department and the Legislature relating to urban wildlife issues, providing technical assistance to various groups, and helping interested parties with details regarding state and federal rules and regulations.
5. DNR staff cite the fact that the number of car-killed deer has increased (by over 7% annually, on average, since 1991) as an indication of the need for an urban wildlife specialist. The number of car-killed deer reported to DNR are shown in the table below.

Car-Killed Deer, 1991-1996

<u>Fiscal Year</u>	<u>Car-Killed Deer</u>	<u>% Increase</u>
1991	31,800	
1992	35,900	12.9%
1993	36,800	2.5%
1994	39,200	6.5%
1995	43,700	11.5%
1996	46,200	5.7%

6. Administration officials also believe that the proposed urban wildlife specialist would help to increase DNR's efficiency in handling urban wildlife damage issues by providing a central position in Madison to coordinate response to urban wildlife issues. Administration officials do not anticipate that the position would be administrative but rather he or she would undertake field work, travelling throughout the state providing information to municipalities and working with other DNR staff and federal officials on urban wildlife issues.

7. The Department indicates that the wildlife biologist position that the Governor proposed to reallocate for the urban wildlife specialist has been filled since the introduction of SB 77. Another vacant position in Wildlife Management would be reallocated for the proposed urban wildlife specialist.

8. Given that the urban wildlife specialist position would be dealing with wildlife damage issues, it could be argued that it is appropriate for the funding for the position to come from wildlife damage surcharge revenues. Urban residents who hunt pay the associated wildlife damage surcharge on licenses they purchase. Further, deer and geese are expected to be a primary focus of the program, similar to the wildlife damage program. In addition, the wildlife damage abatement and claims and wild animal control appropriations had a combined unencumbered (available) balance of \$2.1 million as of July 1, 1996. Therefore, the use of wildlife damage surcharge revenue could be viewed as appropriate.

9. Currently, no positions in DNR are funded by wildlife damage surcharge revenue. Funding for the wildlife damage specialist currently comes from general hunting and fishing license revenue, not from the wildlife damage surcharge. Further, coyote threats and damage are a growing concern in urban areas, but are not covered by the wildlife damage program. It could be argued an urban wildlife specialist should be funded from general fish and wildlife SEG rather than the wildlife damage surcharge so as to maintain consistency and use surcharge revenues only for the wildlife damage abatement and claims programs.

10. Conversely, hunting is not allowed in urban areas, and many urban residents do not hunt at all and thus, do not pay the wildlife damage surcharge or hunting license fees. The use of any hunting license revenue to fund an urban wildlife specialist position could be viewed as inappropriate. The Committee could choose instead to fund the position from GPR to represent the statewide benefit such a position could provide.

11. It could also be argued that DNR has adequate resources for dealing with urban wildlife issues, with the wildlife damage specialist, regional staff, and USDA-ADC assistance. Further, municipalities may seek assistance for wildlife damage concerns through the private sector. Therefore, the Committee could delete this provision from SB 77.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to reallocate \$46,200 SEG and 1.0 vacant position annually for an urban wildlife specialist to be funded from wildlife damage surcharge revenue.

2. Modify the Governor's recommendation by maintaining the funding and position for the urban wildlife specialist from general fish and wildlife SEG (rather than from the wildlife damage surcharge under SB 77).

3. Modify the Governor's recommendation by converting the funding for the urban wildlife specialist from fish and wildlife SEG to GPR (rather than the wildlife damage surcharge under SB 77).

<u>Alternative 3</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$92,400	- \$92,400	\$0
[Change to Bill]	\$92,400	- \$92,400	\$0]
1998-99 POSITIONS (Change to Base)	1.00	- 1.00	0.00
[Change to Bill]	1.00	- 1.00	0.00]

4. Take no action.

Prepared by: Russ Kava

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Alt 2

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

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To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Snowmobile Recreation Program (DNR -- Fish, Wildlife and Recreational Aids)

[LFB Summary: Page 412, #13 and 14, and page 386, #5b]

CURRENT LAW

The Department of Natural Resources administers a snowmobile recreation program to develop and maintain a statewide system of snowmobile trails and administer and enforce snowmobile laws. Revenues for the snowmobile program are deposited in the snowmobile account of the conservation fund. The snowmobile account is statutorily designated (unlike the other accounts in the conservation fund, which were administratively created by DNR) to ensure that certain revenues are utilized for specific purposes.

The major source of revenue for the snowmobile account is the snowmobile gas tax transfer to the conservation fund. An appropriation is made annually, which equals the amount of motor fuel tax assessed on 50 gallons of gasoline as of the last day of February of the previous fiscal year multiplied by the number of registered snowmobiles as of the same date, with this result multiplied by 1.4. For 1996-97, \$3,161,200 was made available for trail aids under the formula (192,992 snowmobiles x 50 gallons per snowmobile x 23.4¢ per gallon x 1.4).

The next largest source of revenue to the snowmobile account is a fee of \$20 assessed for each snowmobile registered for public use in the state. Local governments pay \$5 and commercial users pay \$60 for up to three snowmobiles and \$20 for each machine over three. The registration is valid for two years. Snowmobiles registered in other states or countries need not be registered in Wisconsin if they are in the state for a period of less than 15 consecutive days. These registration fees brought in \$2,029,000 to the snowmobile account in 1995-96.

Most of the expenditures in the snowmobile account are for trail aids. The Department distributes aids to participating counties for the maintenance, development and acquisition of land to support 15,300 miles of interconnecting snowmobile trails throughout the state. County expenditures eligible for state aid (listed in priority order) are as follows: (a) maintenance of existing approved trails; (b) club signing programs; (c) bridge rehabilitation; (d) municipal route signing; (e) trail rehabilitation; and (f) development of new trails. Generally, if approved by the Snowmobile Recreation Council and DNR, these aids are provided to counties at 100% of eligible costs. Trail maintenance costs are reimbursed at 100% of costs up to \$200 per mile, and all or a portion of costs beyond that based on available funds.

Currently, no GPR funding is provided for snowmobile trail aids, enforcement or safety training. Forestry and parks operations funding are provided for general trail maintenance on state forest and park properties, which includes snowmobile and multi-use trails.

GOVERNOR

Shift \$461,200 and 5.0 positions (4.5 wardens and 0.5 program assistant) annually from snowmobile account SEG to GPR. Further shift \$90,000 SEG annually from the snowmobile account to the parks and forestry accounts of the conservation fund. Funds used to provide snowmobile enforcement and develop and maintain trails on state parks and forests would be shifted, annually, as follows:

Forestry general operations	\$65,000 SEG
Parks general operations	25,000 SEG
Enforcement general operations	<u>461,200 GPR</u>
Total increases	\$551,200
State snowmobile trails operations	-\$90,000 SEG
Snowmobile enforcement and safety training	<u>-461,200 SEG</u>
Total decreases	-\$551,200

Further, provide \$836,700 in 1997-98 and \$1,021,600 in 1998-99 from the snowmobile account of the conservation fund for development, maintenance and rehabilitation of local snowmobile trails as follows: (a) \$551,200 annually in available funding as a result of shifting various state enforcement and trail maintenance costs off the snowmobile account; and (b) \$285,500 in 1997-98 and \$470,400 in 1998-99 from the motor fuel tax transfer.

DISCUSSION POINTS

1. To reflect a reestimate of the snowmobile gas tax transfer, \$325,400 SEG in 1997-98 and \$514,100 SEG in 1998-99 should be provided. This reestimate would provide an additional \$39,900 SEG in 1997-98 and \$43,700 in 1998-99 for snowmobile trail aids compared to SB 77.

2. In 1996-97, all counties were allocated the maximum \$200 per mile of trail for maintenance of the 15,300 miles of publicly funded trails in the state. The requested amount and the amounts approved and denied for each snowmobile trail aid category identified in s. 23.09(26) are summarized in Table 1.

TABLE 1
Snowmobile Trail Aid Funding, 1996-97

	<u>Approved</u>	<u>Denied</u>	<u>Total</u>
Trail Maintenance (\$200/mile)	\$3,056,900	\$0	\$3,056,900
Club Signing Request	6,000	0	6,000
Bridge Rehabilitation	443,000	23,700	466,700
Route Sign Requests	700	0	700
Trail Rehabilitation	11,700	2,800	14,500
Development:			
Mandatory Relocation	38,100	0	38,100
Discretionary Relocation	35,200	123,100	158,300
New Bridge Projects	61,900	276,800	338,700
Non-trail Development	0	11,100	11,100
New Trail Development	0	780,800	780,800
Acquisition	<u>13,700</u>	<u>0</u>	<u>13,700</u>
Total	\$3,667,200	\$1,218,300	\$4,885,500

3. In addition to the basic trail aids, a county or DNR is eligible for supplemental trail aid payments if all of the following occur: (a) an application is submitted; (b) actual eligible costs exceed the maximum of \$200 per mile per year; and (c) of the costs incurred, the actual trail grooming costs exceed \$130 per mile per year (other eligible costs include insurance and certain lease costs). The 40% multiplier to the gas tax transfer is statutorily designated for supplemental aids. DNR may choose to prorate trail aid payments if total claims are greater than available funds or payments can be supplemented if approved by the Joint Committee on Finance. Table 2 summarizes supplemental aid requests, payments and prorations for the past six snowmobiling seasons. While the total appropriated for local trail aids in 1996-97 is \$4.2 million, \$4.8 million has been allocated as a result of a carry-in balance of approximately \$600,000.

TABLE 2**Supplemental Snowmobile Trail Aids**

<u>Snowmobile Season</u>	<u>Counties</u>	<u>State Properties</u>	<u>Request</u>	<u>Total Payment</u>	<u>Amount Funded</u>
1990-91	16	1	\$351,779	\$351,779	100%
1991-92	21	3	922,966	701,538	76
1992-93	21	3	983,890	724,590	74
1993-94	32	3	889,812	838,418	94
1994-95	11	4	477,739	477,739	100
1995-96	34	5	1,925,496	1,116,200*	58

*Includes the 40% multiplier and the \$213,000 approved by the Joint Committee on Finance in September, 1996, and March, 1997.

4. In 1985, a study was done as part of Wisconsin's Statewide Comprehensive Outdoor Education Plan to measure expenditures by Wisconsin snowmobilers. Respondents to the study were asked to estimate expenditures on snowmobiles, snowmobile accessories, snowmobile clothing, and snowmobile trips (food, gas, lodging and other expenditures). Based on the survey, statewide expenditures on these items were estimated at \$126.7 million annually. Based on a five percent sales tax rate, the study estimated that \$6.3 million was generated in sales tax from these purchases.

5. Assuming an increase of three percent annually in these expenditures, an estimated \$180.6 million would be spent in 1997 on snowmobile-related expenditures. Using a five percent sales tax rate, approximately \$9.0 million in sale tax revenue would be expected if all estimated snowmobile expenditures were taxable.

6. The Snowmobile Recreation Council and other snowmobile clubs have argued for what they term the "1% Solution." They argue that, given the importance of snowmobiling to the state economy and the volunteer efforts that support snowmobile and related tourism businesses, snowmobiling should receive one percent of the amount generated in expenditures, which would equal approximately \$1.8 million based on the above assumptions. They also argue that this funding should be provided from general purpose revenues.

7. The \$180.6 million identified as snowmobiling expenditures does not accrue to the state but primarily to snowmobile manufacturers, hotels, restaurants and other related businesses. The \$1.8 million GPR derived from this "1% Solution" actually represents 20 percent of the \$9.0 million in potential sales tax revenue received by the state from these expenditures.

8. The Governor recommended shifting snowmobile enforcement to GPR (\$461,200 and 5.0 positions annually) and a portion of state snowmobile trail maintenance to the parks and

forestry accounts (\$90,000 annually). The resulting \$551,200 would be available for basic trail maintenance.

9. Another \$745,900 and 1.5 positions in snowmobile SEG remains for enforcement (\$264,200) and administration (\$481,700 and 1.5 positions). These funds could be shifted from snowmobile SEG to GPR to provide all available snowmobile SEG funding for snowmobile trails. That is, under this alternative, all snowmobile administration and enforcement would be GPR funded, with the snowmobile gas tax transfer and registration fees solely for funding local trail aids.

10. Some have argued for additional GPR support for enforcement efforts. One such proposal would provide: (a) an additional \$336,600 GPR and 6.0 positions in 1997-98 and \$377,400 GPR and 6.0 positions in 1998-99 for additional wardens for increased snowmobile enforcement; and (b) an additional \$100,000 GPR in 1998-99 for local snowmobile enforcement aids. This additional enforcement could be seen as a response to the increase in snowmobile fatalities during the past snowmobile season. DNR indicates that as the number of snowmobile warden enforcement patrol hours increases, the snowmobile fatality rate declines. This would provide total GPR as shown in Table 3.

TABLE 3

GPR Funding Alternatives

	<u>1997-98</u>	<u>1998-99</u>
SB 77 (Alt. 1)	\$461,200	\$461,200
Convert DNR Enforcement/Administration (Alt. 2a)	745,900	745,900
Additional Enforcement (Alt. 2b)	<u>336,600</u>	<u>477,400</u>
Total	\$1,543,700	\$1,684,500

11. In the 1995-97 biennial budget, the Governor recommended shifting \$10,000 annually in base funding for snowmobile enforcement and safety training from the snowmobile account to GPR. This was requested as recognition of the benefits received by the general public as a result of snowmobile enforcement activities and of the tourism benefits the state receives as a result of snowmobile recreation. The Committee deleted this recommendation from the budget.

12. Traditionally, programs for recreational vehicles (snowmobiles, motorboats, ATVs and motorcycles) have been SEG funded, primarily from registration fees and gas tax transfers. Providing GPR funding for any one of these recreational vehicle programs would create a disparate funding structure, with some programs receiving GPR and some relying solely on SEG funding. This could increase pressure in subsequent biennia as other recreational vehicle groups seek GPR funding for their programs as well.

13. Conversely, snowmobile groups argue that such a funding structure is appropriate, given the level of volunteer effort in time, labor and equipment that goes into sustaining the snowmobile trail system in the state. It is argued that this same level of volunteer effort is not needed to maintain the recreational boating facilities system or the ATV trail system. Further, hikers and bicyclists may enjoy the snowmobile trails during the warmer seasons. Providing GPR funding for the snowmobile recreation program could serve to recognize the work of snowmobile clubs and snowmobilers.

14. An alternative to providing GPR for snowmobile recreation programs would be to increase user fees. The \$20 registration fee for snowmobiles was last increased in 1986. It is unlikely that a registration fee increase would reduce snowmobile users' participation, given their investment in snowmobile equipment. While a registration fee increase could be implemented on the effective date of the budget, an April 1, 1998, effective date would be more in line with the registration cycle. Snowmobile registrations are valid for two years beginning on July 1 prior to the date of the application if the registration is made prior to April 1, and beginning the July 1 after the registration if done between April 1 and June 30. Thus, an April 1 effective date would allow for a single fee for the 1997-98 registration year and would give DNR sufficient time to implement the new fee for the 1998-99 registration year.

15. If the fee were raised to \$25 for two years (and associated commercial and local governmental registrations by 25%) effective April 1, 1998, an additional \$560,000 SEG in 1998-99 would be generated for the snowmobile account. If the fee were raised to \$30 (50% for commercial and local governmental registrations), an additional \$1,120,000 SEG in 1998-99 would be generated. If the fee were raised to \$30, the revenue could be allocated either all for trail aids or for the following snowmobiling purposes: (a) \$642,600 for trail aids; (b) \$377,400 and 6.0 positions for additional wardens for increased snowmobile enforcement; and (c) \$100,000 for local snowmobile enforcement aids.

16. Given the size of the investment in purchasing a new snowmobile (roughly \$5,500 on average, although costs vary considerably depending on the individual machine) another revenue option would be to assess a one-time fee. That is, a surcharge for the first registration of a snowmobile could be required. Approximately 20,000 snowmobiles are estimated to be newly registered (excludes renewals) each year (mostly new purchases, but also some transferred from other states). A \$20 surcharge (double the current two-year registration) would generate approximately \$400,000 annually and a \$50 surcharge (less than 1% of the cost of many new snowmobiles) would generate an estimated \$1 million annually.

17. Michigan requires a snowmobile trail permit sticker for all persons who operate a snowmobile in the state. The snowmobile trail permit sticker is valid for one year beginning on October 1 and ending September 30 of the following year at a cost of \$10. Permits are available from snowmobile dealers, retail businesses along the snowmobile trail system and at the Secretary of State's office at the time of registration renewal. Snowmobiles are exempt from the trail permit sticker requirement if: (a) they are operated exclusively on lands owned or under the

control of the owner; (b) used entirely in a safety education program conducted by a certified snowmobile safety instructor; (c) operated exclusively in a special event of limited duration conducted according to a prearranged schedule under a permit from the proper governmental unit; or (d) used exclusively for transportation on the frozen surface of public waters for the purpose of ice fishing. The trail permit sticker is required to be permanently affixed to the forward half of the snowmobile directly above or below the headlight.

18. Rather than increasing registration fees, Wisconsin could implement a similar provision for the operation of snowmobiles on publicly-funded trails as a means of raising revenue for snowmobile trail aids. Approximately 210,000 snowmobiles are registered in Wisconsin. The number of non-resident snowmobilers is not known but, it is estimated by the Association of Wisconsin Snowmobile Clubs at approximately 100,000. A \$10 trail sticker could potentially raise \$3 million annually or approximately \$1 million annually if applied only to non-residents.

19. The Michigan DNR estimated that first-year compliance with the trail sticker pass requirement was approximately 70%. Assuming that same level of compliance could be reached in Wisconsin, a trail sticker pass required of all trail users (resident and non-resident) may generate up to \$2,100,000, while a sticker required of only non-residents may generate up to \$700,000 in the initial year.

20. The trail sticker requirement would add to the workload of DNR's licensing section. The Department indicates that there is no data on the additional workload such a trail sticker requirement could create. DNR could seek additional staff if necessary through separate legislation or the s. 13.10 process. The trails sticker sales system could, potentially, be incorporated into the hunting and fishing license sales system or be limited to only DNR offices. Also, similar to Michigan, a new system could be devised involving retail establishments along snowmobile trails. Rules could be promulgated to determine sticker dimensions, display requirements and enforcement procedures. In order to allow DNR to develop the necessary rules and an implementation strategy, a sticker requirement could be made effective July 1, 1998.

21. If resident snowmobile owners were required to purchase the sticker, the revenue generated for trail aids would be greater. However, it could be argued that residents already contribute through their registration payment, while non-residents who use state trails do not make a similar contribution. Requiring the trail sticker could serve as a way to generate revenue from non-residents.

22. Requiring only non-Wisconsin registered snowmobiles to display a sticker may make enforcement more difficult. The revenue generated by a trail sticker could also be lower than assumed if enforcement is not a priority and snowmobilers do not comply with the requirement voluntarily. In addition, requiring a trail sticker of non-residents could reduce the number of snowmobilers using Wisconsin trails, negatively impacting snowmobile and tourist-related

businesses. Others argue that the 40% multiplier on the snowmobile gas tax formula does recognize the contribution of nonresident snowmobiling.

23. In addition, under the bill there would be a balance of over \$1.0 million remaining in the snowmobile account as of June 30, 1999. Thus, an additional \$500,000 SEG annually would be available for local snowmobile trail aids.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to: (a) shift \$461,200 and 5.0 positions annually from snowmobile SEG to GPR; (b) shift \$90,000 SEG annually from the snowmobile account to the parks and forestry accounts; and (c) provide \$551,200 annually in snowmobile SEG for trail aids as a result of shifting various state enforcement and trail maintenance costs off the snowmobile account. In addition, provide \$325,400 SEG in 1997-98 and \$514,100 SEG in 1998-99 to reflect a reestimate of the gas tax transfer to the snowmobile account. Trail aids would increase from \$4.2 million budgeted in 1996-97 to \$5.1 million in 1997-98 and \$5.3 million in 1998-99.

<u>Alternative 1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$922,400	\$1,019,500	\$1,941,900
[Change to Bill]	\$0	\$83,600	\$83,600]
1998-99 POSITIONS (Change to Base)	5.00	- 5.00	0.00
[Change to Bill]	0.00	0.00	0.00]

2. GPR Alternatives

In addition to Alternative 1, provide \$500,000 SEG annually from the available balance in the snowmobile account for local trail aids. Further:

a. Shift an additional \$745,900 and 1.5 positions annually in snowmobile enforcement and administration from snowmobile SEG to GPR and provide the \$745,900 SEG annually in snowmobile trail aids. Trail aids would increase from \$4.2 million in 1996-97 to \$6.4 million in 1997-98 and \$6.6 million in 1998-99.

<u>Alternative 2a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$2,414,200	\$2,019,500	\$4,433,700
[Change to Bill]	\$1,491,800	\$1,083,600	\$2,575,400]
1998-99 POSITIONS (Change to Base)	6.50	- 6.50	0.00
[Change to Bill]	1.50	- 1.50	0.00]

b. Adopt Alternative 2a and provide an additional \$336,600 GPR in 1997-98 and \$477,400 GPR in 1998-99 as follows: (a) \$336,600 in 1997-98 and \$377,400 in 1998-99 with 6.0 positions for increased snowmobile enforcement; and (b) \$100,000 in 1998-99 for local snowmobile enforcement aids. Trail aids would increase from \$4.2 million in 1996-97 to \$6.4 million in 1997-98 and \$6.6 million in 1998-99.

<u>Alternative 2b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$3,228,200	\$2,019,500	\$5,247,700
[Change to Bill]	\$2,305,800	\$1,083,600	\$3,389,400]
1998-99 POSITIONS (Change to Base)	12.50	- 6.50	6.00
[Change to Bill]	7.50	- 1.50	6.00]

3. Registration Fee Alternatives

Delete the Governor's proposed shift from snowmobile SEG to GPR, but adopt the recommended shift of \$90,000 annually from snowmobile SEG to forestry and parks SEG. Provide \$500,000 SEG annually from the available balance in the snowmobile account for local trail aids in addition to the gas tax transfer reestimate. Further:

a. Increase the registration fee for public-use snowmobiles from \$20 to \$25 and by 25% for commercial and local governmental registrations effective April 1, 1998. Provide \$560,000 SEG in 1998-99 for snowmobile trail aids. Trail aids would increase from \$4.2 million budgeted in 1996-97 to \$5.2 million in 1997-98 and \$5.9 million in 1998-99.

<u>Alternative 3a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$2,579,500	\$2,579,500
[Change to Bill]	- \$922,400	\$1,643,600	\$721,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

b. Increase the registration fee for public-use snowmobiles from \$20 to \$30 and by 50% for commercial and local governmental registrations effective April 1, 1998. Provide \$1,120,000 SEG in 1998-99 for snowmobile trail aids. Trail aids would increase from \$4.2 million in 1996-97 to \$5.2 million in 1997-98 and \$6.5 million in 1998-99.

<u>Alternative 3b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$3,139,500	\$3,139,500
[Change to Bill]	- \$922,400	\$2,203,600	\$1,281,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

c. Increase the registration fee for public-use snowmobiles from \$20 to \$30 and by 50% for commercial and local governmental registrations effective April 1, 1998. Provide \$1,120,000 SEG in 1998-99 from the snowmobile account as follows: (a) \$642,600 for snowmobile trail aids; (b) \$377,400 and 6.0 positions for increased snowmobile enforcement; and (c) \$100,000 for local snowmobile enforcement aids. Trail aids would increase from \$4.2 million in 1996-97 to \$5.2 million in 1997-98 and \$6.0 million in 1998-99.

<u>Alternative 3c</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$3,139,500	\$3,139,500
[Change to Bill]	- \$922,400	\$2,203,600	\$1,281,200]
1998-99 POSITIONS (Change to Base)	0.00	6.00	6.00
[Change to Bill]	- 5.00	11.00	6.00]

4. First-time Registration Surcharge Alternatives

Delete the Governor's proposed shift from snowmobile SEG to GPR, but adopt the recommended shift of \$90,000 annually from snowmobile SEG to forestry and parks SEG. Provide \$500,000 SEG annually from the available balance in the snowmobile account for local trail aids in addition to the gas tax transfer reestimate. Further:

a. Add a surcharge of \$20 to snowmobiles first registered on the effective date of the budget bill. Provide \$400,000 SEG annually for snowmobile trail aids. Trail aids would increase from \$4.2 million budgeted in 1996-97 to \$5.6 million in 1997-98 and \$5.7 million in 1998-99.

<u>Alternative 4a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$2,819,500	\$2,819,500
[Change to Bill]	- \$922,400	\$1,883,600	\$961,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

b. Add a surcharge of \$50 to snowmobiles first registered on the effective date of the budget bill. Provide \$1,000,000 SEG annually for snowmobile trail aids. Trail aids would increase from \$4.2 million in 1996-97 to \$6.2 million in 1997-98 and \$6.3 million in 1998-99.

<u>Alternative 4b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$4,019,500	\$4,019,500
[Change to Bill]	- \$922,400	\$3,083,600	\$2,161,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

5. Trail Sticker Alternatives

Delete the Governor's proposed shift from snowmobile SEG to GPR, but make the recommended shift of \$90,000 annually from snowmobile SEG to forestry and parks SEG. Provide \$500,000 SEG annually from the available balance in the snowmobile account for local trail aids in addition to the gas tax transfer reestimate. Further:

a. Similar to Michigan, require a \$10 annual trail use sticker for both residents and non-residents for the use of publicly-funded trails in Wisconsin effective July 1, 1998. Provide \$2,100,000 SEG in 1998-99 for local snowmobile trail aids. Authorize DNR to promulgate administrative rules to implement the requirement. Trail aids would increase from \$4.2 million budgeted in 1996-97 to \$5.2 million in 1997-98 and an estimated \$7.4 million in 1998-99.

<u>Alternative 5a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$4,119,500	\$4,119,500
[Change to Bill]	- \$922,400	\$3,183,600	\$2,261,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

b. Require a \$10 annual trail use sticker for only non-residents for the use of publicly-funded trails in Wisconsin effective July 1, 1998. Provide \$700,000 SEG in 1998-99 for local snowmobile trail aids. Authorize DNR to promulgate administrative rules to implement the requirement. Trail aids would increase from \$4.2 million in 1996-97 to \$5.2 million in 1997-98 and an estimated \$6.0 million in 1998-99.

<u>Alternative 5b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$2,719,500	\$2,719,500
[Change to Bill]	- \$922,400	\$1,783,600	\$861,200]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

6. Base Funding Alternatives

a. Delete the Governor's proposed funding shifts (from snowmobile SEG to GPR or parks and forestry SEG), but provide the additional \$500,000 SEG annually from the balance of the snowmobile account and the additional snowmobile gas tax transfer revenue for local snowmobile trail aids. Trail aids would increase from \$4.2 million budgeted in 1996-97 to \$5.1 million in 1997-98 and \$5.3 million in 1998-99.

<u>Alternative 6a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$1,839,500	\$1,839,500
[Change to Bill]	- \$922,400	\$903,600	- \$18,800]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

b. Maintain current law (the snowmobile gas tax transfer would be reestimated). Trail aids would increase from \$4.2 million in 1996-97 to \$4.6 million in 1997-98 and \$4.8 million in 1998-99.

<u>Alternative 6b</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$0	\$839,500	\$839,500
[Change to Bill]	- \$922,400	- \$96,400	- \$1,018,800]
1998-99 POSITIONS (Change to Base)	0.00	0.00	0.00
[Change to Bill]	- 5.00	5.00	0.00]

Prepared by: Russ Kava

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Snowmobile Trail Funding (Paper #601)

Motion:

Move to increase the snowmobile gas tax transfer formula to be based on 58 gallons of gasoline per registered snowmobile (rather than 50) beginning in 1998-99 (\$569,100 SEG in 1998-99).

Note:

Trail aids would increase from \$4.2 million in 1996-97 to \$5.1 million in 1997-98 and \$7.0 million in 1998-99 under the motion and prior Committee action.

[Change to Base: \$569,100 SEG]

[Change to Bill: \$569,100 SEG]

MO#

4040

BURKE	Y	(N)	A
DECKER	(Y)	N	A
GEORGE	Y	N	A
JAUCH	Y	(N)	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	Y	(N)	A
PANZER	(Y)	N	A
JENSEN	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
ALBERS	Y	(N)	A
GARD	Y	(N)	A
KAUFERT	Y	(N)	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

AYE 7 NO 8 ABS

Motion #4040

Senator Cowles
Senator Jauch
Senator Burke

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Recreational Boating Projects Match (Paper #602)

Motion:

Move to require the Department of Natural Resources to provide grants of up to 80% of the costs of developing recreational boating facilities (and up to 90% of the costs if the sponsor conducts a boating safety enforcement and education program approved by DNR) for the four inland projects enumerated in SB 77. Allow the sponsor to make in-kind contributions to match the grant. In addition, allow DNR to provide grants of up to 80% of the costs of developing other recreational boating facilities (and up to 90% of the costs if the sponsor conducts a boating safety enforcement and education program approved by DNR) if the Waterways Commission deems the project to be of regional or statewide significance. Require DNR to promulgate rules to define regional and statewide significance. Further, approve the Governor's recommendation to fund a Lake Superior harbor of refuge at up to 100% of costs, including land acquisition.

Note:

Under current law, DNR may provide grants for up to 50% of the costs of developing recreational boating facilities, and up to 60% if the project sponsor conducts a boating safety enforcement and education program.

MO#

4025

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

Motion #4025

AYE ____ NO ____ ABS ____

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

State Snowmobile Recreation Program (Paper #601)

Motion:

Move to adopt the Governor's recommendation as reestimated (Alternative 1). Also, provide \$500,000 SEG annually from the available balance in the snowmobile account. Require a \$10 annual trail use sticker for only non-residents for the use of publicly-funded trails in Wisconsin effective July 1, 1998. Provide \$700,000 SEG in 1998-99 for local snowmobile trail aids. Authorize DNR to promulgate administrative rules to implement the requirement. Require DNR to provide the trail sticker to residents free with their registrations. Provide the same penalty for noncompliance with the trail sticker requirement as currently exists for hunting or fishing without the appropriate license.

Note:

Under this motion, funding for local trail aids would increase from the \$4.2 million budgeted in 1996-97 to \$5.6 million in 1997-98 and \$6.5 million in 1998-99.

[Change to Base: \$922,400 GPR, \$2,719,500 SEG, 5.0 GPR positions and -5.0 SEG positions]

[Change to Bill: \$1,783,600 SEG]

MO#

3092

2 BURKE	(Y)	N	A
1 DECKER	(Y)	N	A
GEORGE	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	(N)	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	Y	(N)	A
JENSEN	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	Y	(N)	A
ALBERS	Y	(N)	A
GARD	(Y)	N	A
KAUFERT	Y	(N)	A
LINTON	Y	(N)	A
COGGS	Y	(N)	A

Motion #3092

AYE

9

NO

7

ABS

0

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Snowmobile Safety (Paper #601)

Motion:

Move to prohibit any person born on or after January 1, 1985, from operating a snowmobile unless he or she holds a valid safety certificate or is accompanied by a person 18 years of age holding a safety certificate issued by DNR. Require such persons to carry the certificate with them when operating a snowmobile and to display it to a law enforcement officer upon request. Allow persons enrolled in a safety certification program approved by DNR to operate a snowmobile in an area designated by DNR. Allow a person required to hold a valid safety certificate to operate a snowmobile if he or she holds a valid snowmobile safety certificate issued by another state or province or program recognized by DNR if the course content of that program substantially meets that which is established by DNR. Also, require snowmobiles travelling on or adjacent to roadways to observe roadway speed limits.

MO#

3109

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

withdrawn

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Recreational Boating Projects Earmarked (DNR -- Fish, Wildlife and Recreational Aids)

[LFB Summary: Page 413, #18]

CURRENT LAW

The Department of Natural Resources (DNR) provides grants for up to 50% of the costs of developing recreational boating facilities approved by the Waterways Commission. (A grant may be used to support up to 60% of project costs if the sponsor conducts a boating safety enforcement and education program approved by DNR.) Feasibility studies, which are eligible for state cost-sharing, must be completed for any project before it is assigned to a priority list. At least 40% of state funding must be expended for Great Lakes projects (harbors of refuge), 40% must be expended for inland lakes projects and 20% may be expended for projects deemed necessary by the Waterways Commission without regard to location. No state funds may be used for the acquisition of land or for the construction of berths. The Waterways Commission is a five-member board appointed by the Governor with the advice and consent of the Senate for staggered, five-year terms.

GOVERNOR

Require DNR to provide funds from the recreational boating aids appropriation for the following projects:

- a. *Petenwell Lake*. Up to \$1,200,000 to Adams County for boat launching facilities and a harbor of refuge on Petenwell Lake.

b. *Columbia County Park.* Up to \$750,000 to Fond du Lac County for boat launching facilities at Columbia County Park on Lake Winnebago.

c. *Stockbridge Harbor.* Up to \$700,000 to Calumet County to complete Stockbridge Harbor on Lake Winnebago.

d. *High Cliff State Park.* Up to \$500,000 to construct a breakwater structure in Lake Winnebago at the entrance of High Cliff State Park harbor. DNR may expend this amount directly or provide it as a grant to Calumet County.

None of the counties would be required to match the amount provided under the bill. The amounts expended for these projects would be considered inland water projects for the purposes of meeting the statutory distribution of funds. These projects will not need to be placed on the priority list of recreational boating projects nor be approved by the Waterways Commission. DNR must expend the funds by June 30, 2000.

e. *Lake Superior harbor.* Allow DNR, with the approval of the Waterways Commission, to expend an amount to pay up to 100% of the eligible costs for the construction of a harbor of refuge along the Lake Superior shoreline. The project costs may include the acquisition of land (prohibited for other projects). Allow DNR to directly expend the amount authorized. The amount expended would be considered a Great Lakes project and the project would not need to be placed on the priority list of boating projects.

DISCUSSION POINTS

1. The recreational boating facility aids appropriation had a cash balance of \$11.7 million as of July 1, 1996. Of that amount, \$6.7 million was committed by the Waterways Commission, resulting in an available balance of \$5.0 million. An available balance of \$4.6 million is expected as of July 1, 1997. This opening balance would cover two budget initiatives: (a) prior Committee action allocating \$1.8 million from the recreational boating facility aids appropriation for an endowment for the Black Point Estate in Walworth County; and (b) the lapse of \$2.8 million to the water resources account proposed by the Governor in SB 77. Approximately \$10.3 million SEG (motorboat gas tax) would be appropriated in SB 77 for recreational boating projects in 1997-99 (\$5,147,000 annually).

2. Recreational boating facility aids have been earmarked for specific projects in past budgets. In the 1991-93 biennial budget, \$1.8 million was earmarked for two recreational boating projects: (a) \$1.6 million for the construction of a marina on Lake Michigan in the city of Sheboygan; and (b) \$200,000 to the city of Beloit for a project adjacent to the Rock River. In the 1995-97 biennial budget, funding not to exceed \$264,000 was earmarked from recreational boating facility aids for the renovation and repair of the Chair Factory Dam and \$800,000 annually in the biennium was designated for the Portage levee renovation project.

3. In addition to the 50% or 60% of project costs provided by the Waterways Commission, DNR can also provide federal Sport Fish Restoration (SFR) funds for the remainder of project costs. Federal law requires that 12.5% of SFR funds (over \$1 million in 1996-97) be used for providing motorboat access to lakes. With the exception of 1996-97, SFR grant funding has been relatively constant, as shown in the table below. SFR funds can be combined with recreational boating facilities aids to provide up to 100% of the costs of some recreational boating projects.

Sport Fish Restoration (SFR) Grant Apportionment, 1992-97

<u>Fiscal Year</u>	<u>Apportionment</u>
1992	\$6,695,400
1993	6,312,700
1994	5,702,900
1995	6,694,000
1996	6,376,500
1997	8,554,200

Petenwell Lake and Lake Winnebago Projects

4. A cost estimate of building a harbor and launch area, parking lots, toilet and shower facilities and other facilities at Petenwell Lake (a Wisconsin River flowage) is \$1.2 million. The Columbia County park project on Lake Winnebago in Fond du Lac County, currently in the planning phase, would renovate the current site by adding more boat launch lanes and improving parking and other support facilities at an estimated cost between \$500,000 and \$750,000. The estimated cost of completing the last of three phases of construction to complete a breakwall and improve parking and bathroom facilities on Stockbridge Harbor in Calumet County is \$700,000. The first two phases of the project were completed with a combination of recreational boating facilities aids and SFR funds. The estimated cost of completing a free standing breakwall at the entrance of the High Cliff State Park harbor is between \$200,000 and \$500,000.

5. It could be argued that the projects enumerated in SB 77 would have an impact beyond just one county or municipality. Because Petenwell Lake and Lake Winnebago both border on more than one county or municipality, any one individual unit of government along either of those lakes might be reluctant to commit matching funds for an improvement on the lake that would also benefit other units of government that may not be financially contributing to the project. DNR indicates that localities have seldom entered into agreements to provide funding for a recreational boating facility sponsored by another locality. Thus, the Governor and Legislature could individually earmark the funding for projects of regional and statewide

significance to provide for those cases in which the local funding match requirement is deemed too prohibitive to allow a project to proceed.

6. DNR indicates that the Waterways Commission has been opposed to enumeration of projects such as those in SB 77, since it infringes on the Commission's statutory charge to approve recreational boating projects. Further, if the four earmarked projects were funded at the maximum allowable levels under SB 77 (a total of \$3,150,000), they would represent approximately 31% of the appropriation in the recreational boating facilities appropriation in the 1997-99 biennium (\$10.3 million). The funding earmarked would represent between 51% and 77% of the funding for inland lake projects in the biennium (depending on how the 20% of funding provided by the Waterways Commission without respect to location is utilized). Thus, the Waterways Commission would lose the authority to review and authorize at least one-third of recreational boating projects in the biennium.

7. The breakwall project at the entrance of the High Cliff State Park harbor lies on state property in Lake Winnebago. As a result there would be no potential local sponsor available to cost share the project. DNR indicates that Parks funding has not been provided for the project given the need for more traditional park amenities (such as campgrounds or interpretive projects) on other park properties. Thus, this project is different from the other projects enumerated in SB 77, for which a local sponsor could potentially be found. The Committee could choose to earmark funding for this project and delete the earmarking for the other three specific projects in SB 77 in recognition of the unique circumstances of the High Cliff project. Alternately, the Committee could delete this earmarking as well, which would mean that SFR, Parks or Stewardship funds would have to be used for the project, if it were to be completed.

8. Alternatively, the Committee could statutorily allow the Waterways Commission to provide up to 100% of costs for those projects the Commission finds: (a) to be of regional or statewide importance; and (b) that would likely not be completed under the current match guidelines. This would allow for the completion of projects such as those enumerated in SB 77 but maintain the authority of the Waterways Commission to approve recreational boating projects. Further, this alternative would let all projects compete, rather than only those specifically enumerated in legislation. This would, however, reduce the Legislature's role in approving projects of regional or statewide significance. Allowing up to 100% of project costs to be funded through the current recreational boating projects appropriation could also reduce the number of projects that are funded.

Lake Superior Harbor

9. A 1995 Legislative Audit Bureau report discussed the issue of construction of additional harbors of refuge along Lake Superior. Potential harbors could be located at the mouth of the Bois Brule River (Douglas County) and between Chequamegon Bay and the Michigan border (Bayfield, Ashland or Iron County). The report noted that the Commission did not expect

local governments to request funding for such projects given the relatively small recreational boating populations and tax bases of such governments, making it more difficult to provide the required matching funds under current law. The audit also noted that the goal of providing harbors approximately every 30 miles had been nearly met on Lake Michigan while possible locations remained on Lake Superior.

10. Further, SB 77 leaves considerable discretion to the Waterways Commission as to the location of, and the level of funding provided for, any harbor located on Lake Superior.

11. If the Committee chooses to allow the Waterways Commission to expend up to 100% of eligible costs for projects of regional or statewide significance, this would also include any harbor of refuge along Lake Superior. In addition to making that change, the Committee could also allow for the acquisition of land to be included as an eligible cost for a Lake Superior harbor of refuge project.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to: (a) provide funds from the recreational boating aids appropriation for projects at Petenwell Lake (up to \$1,200,000), Columbia County Park (up to \$750,000), Stockbridge Harbor (up to \$700,000), and High Cliff State Park (up to \$500,000); (b) exempt the projects from any match requirement; (c) exempt these projects from Waterways Commission approval; and (d) require DNR to expend the funds by June 30, 2000. In addition, approve the recommendation to allow DNR, with the approval of the Waterways Commission, to expend an amount to pay up to 100% of the eligible costs (including, for this project, the cost of acquiring the land) for the construction of a harbor of refuge along the Lake Superior shoreline.

2. Delete the earmarking of funding for the Petenwell Lake, Columbia County Park and Stockbridge Harbor projects, but approve the earmarking of the High Cliff State Park project and the changes recommended by the Governor regarding the harbor of refuge along the Lake Superior shoreline.

3. Delete the earmarking of funding for the four inland lakes projects, but approve the changes recommended by the Governor regarding the harbor of refuge along the Lake Superior shoreline.

4. Delete the Governor's recommendation. Instead, allow the Waterways Commission to provide up to 100% of eligible funding for those projects it deems to be of regional or statewide significance that would otherwise not be completed under current matching requirements.

5. In addition to Alternative 4, allow eligible project costs for a harbor of refuge along Lake Superior to include the acquisition of land.

6. Take no action.

Prepared by: Russ Kava

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Recreational Boating Projects Match (Paper #602)

Motion:

Move to require the Department of Natural Resources to provide grants of up to 80% of the costs of developing recreational boating facilities (and up to 90% of the costs if the sponsor conducts a boating safety enforcement and education program approved by DNR) for the five projects enumerated in SB 77. Allow the sponsor to make in-kind contributions to match the grant. In addition, allow DNR to provide grants of up to 80% of the costs of developing other recreational boating facilities (and up to 90% of the costs if the sponsor conducts a boating safety enforcement and education program approved by DNR) if the Waterways Commission deems the project to be of regional or statewide significance. Require DNR to promulgate rules to define regional and statewide significance.

Note:

Under current law, DNR may provide grants for up to 50% of the costs of developing recreational boating facilities, and up to 60% if the project sponsor conducts a boating safety enforcement and education program.

MO# 3107

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
2 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Lake Superior Commercial Fishing License Retirement (DNR -- Fish, Wildlife and Recreational Aids)

CURRENT LAW

In 1996, the Department of Natural Resources entered into an agreement with 11 commercial fishing licensees on Lake Superior under which the license holders have agreed to retire their licenses and individual lake trout quota allocations in return for payments from the Department. DNR will make an average payment of \$154,000 annually for ten years, starting in 1996-97, to retire the licenses and quotas as shown below. (Each line in the table provides information on one of the eleven licenses that is being retired.)

Lake Superior Commercial Fishing License Retirements

<u>Total Value</u>	<u>Years of Payout</u>	<u>Annual Payment</u>
\$46,637	10	\$4,664
76,757	10	7,676
87,843	10	8,784
111,616	10	11,162
104,011	10	10,401
129,726	10	12,973
134,305	5	26,860
179,996	10	18,000
194,793	10	19,479
216,907	10	21,691
<u>253,422</u>	10	<u>25,342</u>
1,536,013		167,032*

*The annual payment for the first five years of the agreement is \$167,032. Because one of the licenses will be paid out in five years, the annual payment for the last five years will be \$140,172.

DNR is reallocating base GPR to make the payments. The 1996-97 payment was made from a Resource Management appropriation. Due to departmental reorganization under which the Bureau of Fisheries Management and Habitat Protection is moved to a different Division, payments made beginning in 1997-98 will come from a Water Division appropriation. 1997 Act 1 prohibits DNR from using moneys from the conservation fund for the retirement of commercial fishing licenses.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Although not reflected in the bill, Administration and DNR officials have indicated that the commercial fishing license retirement was funded in the budget through GPR associated with three of the base budget reductions identified by DNR as part of their required budget submission. The bill would leave the funds in the Department's base expenditure level while actually making the associated program reductions. The reductions which were taken, but for which the funding was not removed from the base, are: (a) \$76,100 annually from reducing LTE staffing and contracts for water supply analysis; (b) \$64,900 annually associated with 1.0 wastewater data entry position; and (c) \$13,000 annually for LTE support for data entry and analysis related to treaty fishery assessment work. (DNR would still have to reallocate an additional \$13,000 in base funding for the first five years of the retirement since one of the licenses will be paid out in five years.) Adjustments to the appropriation schedule would be needed to move funding under (a) and (b) into the proper subprogram.

2. A DNR rule that became effective in February, 1997, reduced the number of commercial licenses on Lake Superior from 21 to 10 and reduced the total quota of lake trout from 13,600 to approximately 6,500 annually. This is expected to reduce the need for stocking and enhance sport fishing for lake trout on Lake Superior. The rule made reference to the provision of financial incentives in return for the retirement of the licenses, but the actual amounts paid for the retirement of the licenses were negotiated between the DNR and the individual licensees. The DNR fiscal estimate for the rule indicated an annual cost of approximately \$150,000.

3. It could be argued that DNR had the statutory authority to enter into an agreement with commercial fishers on Lake Superior under its general statutory power to regulate fishing on all outlying waters (including Lake Superior) in accordance with the Department's authority to maintain an adequate supply of any species of fish. DNR also has the statutory authority to limit the number of commercial fishing licenses issued, to establish harvest limits and to allocate

the harvest limits among commercial fishing licensees. Further, a rule indicating DNR's intentions with respect to the Lake Superior licenses was promulgated.

4. However, DNR does not have the explicit authority to make monetary payments to commercial fishers for purpose of license retirement. It could be argued that agreements such as those negotiated as part of the Lake Superior commercial fishing retirement were not envisioned as part of the original intent of granting DNR the power to regulate fishing or limit the number of commercial fishing licenses. Further, by internally reallocating funds for commercial fishing, these funds are no longer available for their legislatively authorized purposes. Some believe that DNR exceeded its authority by agreeing to make payments in exchange for license retirement prior to receiving explicit statutory expenditure authority to do so.

5. Reductions in three areas were taken to fund the fishing license retirement.

a. Water supply analysis. In offering the funding for the LTE staffing and contracts for water supply analysis, the Department noted that increased federal funding for drinking water program administration may be available depending on the U.S. Environmental Protection Agency budget.

b. Wastewater data entry. The Department originally offered a total of 3.0 wastewater data entry positions as part its base budget reductions. The Department indicated that these positions would not be necessary if a permit streamlining information technology item was included in the budget. Funding for the needed master lease payments for the system was included in the bill, but the Governor recommended eliminating only 2.0 positions.

c. Treaty fisheries assessment work. Funding for LTE support for treaty fisheries assessment work was no longer deemed necessary given the conversion of 8.0 federal project positions to permanent positions. This conversion will enable the Department to absorb the loss of LTE funding and still complete the workload required by the federal courts.

6. If the Committee wishes to approve the arrangement reached by DNR and the Administration, the remaining wastewater data entry position could be deleted and technical corrections could be made to move the associated funding to the Bureau of Fisheries Management and Habitat Protection.

7. The Joint Committee for Review of Administrative Rules held a public hearing on April 17, 1997, to review the Lake Superior commercial fishing license retirement. An analysis by Legislative Council indicated that any post-promulgation review of the rule changes by JCRAR would be unlikely to lead to the termination or alteration of those agreements. The JCRAR did recommend that the Joint Finance Committee: (a) review the retirement program to assure that the sources of funding are properly authorized by the Legislature; and (b) withdraw funding for the retirement in the 1997-99 biennial budget. Further, JCRAR recommended that

the Joint Committee on Legislative Organization seek an opinion of the Attorney General on the legality of the retirement program.

8. The Committee could also reduce the Department's base budget by removing the funding related to the three reductions used to fund the commercial fishing license retirement. There is a provision in the agreements between the Department and the commercial licensees that "the Department may terminate this agreement in whole or part, without penalty, due to non-appropriation of funds from which the payments...are to be paid." If the Committee deleted the funding for the retirement, DNR would either: (a) fund the retirement from the remaining GPR base in Fisheries Management and Habitat Protection (\$3,157,800 annually under SB 77); or (b) terminate the agreement.

9. If the Department would terminate, it is uncertain whether the license retirees would sue the state and how the courts would rule in any suit. One year's payment has already been made to the license retirees, and some have already sold their boats and equipment. Any withdrawal from the agreement by the Department could be seen as a breach of contract and create hardship for the licensees, particularly those that have already sold their equipment.

10. Conversely, the agreement states that if the Department fails to perform the terms of the agreement, the licensee may retain any and all payments made prior to termination of the agreement. Also, the Department has indicated that it does not believe that its actions acknowledge any property rights inherent in a commercial fishing license.

ALTERNATIVES TO BASE

1. Consistent with the DOA and DNR agreement, reduce LTE staffing and contracts for water supply analysis, eliminate 1.0 wastewater data entry position and LTE support for treaty fishery assessment work by a total of \$154,000 annually, but retain the funding in the base budget to pay for the Lake Superior commercial fishing license retirement.

<u>Alternative 1</u>	<u>GPR</u>
1998-99 POSITIONS (Change to Base)	- 1.00
[Change to Bill]	- 1.00]

2. Delete \$154,000 GPR and 1.0 position annually related to LTE staffing and contracts for water supply analysis, wastewater data entry activity and LTE support for data entry and

analysis for treaty fishery assessment work. (DNR would be required to fund the commercial fishing license retirement from remaining GPR base funding or terminate the agreements.)

<u>Alternative 2</u>	<u>GPR</u>
1997-99 FUNDING (Change to Base)	- \$308,000
[Change to Bill	- \$308,000]
1998-99 POSITIONS (Change to Base)	- 1.00
[Change to Bill	- 1.00]

3. In addition to one of the above alternatives, authorize DNR to make payments from its Water Division general operations appropriation to commercial fishers in exchange for relinquishing their licenses or fish quotas.

4. Maintain current law. (This would have the effect of maintaining the 1.0 wastewater data entry position and retaining funding related to the retirement in incorrect appropriations.)

Prepared by: Russ Kava

MO# 1171

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 11 NO 5 ABS

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Commercial Fishing License Retirements (Paper #603)

Motion:

Move to prohibit the Department of Natural Resources from making payments in exchange for the retirement of commercial fishing licenses or for the permanent or temporary reduction or cessation of fishing as authorized under the licenses.

Note:

Under this motion, DNR would be prohibited from making any payments for the retirement of commercial fishing licenses, either for the remaining payments under the Lake Superior retirement agreement or any future agreements.

MO#	1690		
1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 1 NO 15 ABS 0

NATURAL RESOURCES -- FISH, WILDLIFE AND RECREATIONAL AIDS

Commercial License Retirements (Paper #603)

Motion:

Move to prohibit the Department of Natural Resources from entering into any agreements after the effective date of the budget bill under which the Department would make payments to persons in exchange for the retirement of commercial fish and game licenses sold by DNR or the permanent or temporary reduction or cessation of activities authorized under the licenses.

Note:

This motion would not affect the Lake Superior commercial fishing license retirement agreement.

MO# 1654

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
GEORGE	<u>Y</u>	N	A
JAUCH	<u>Y</u>	N	A
WINEKE	<u>Y</u>	N	<u>A</u>
SHIBILSKI	<u>Y</u>	<u>N</u>	A
COWLES	<u>Y</u>	N	A
PANZER	<u>Y</u>	N	A
JENSEN	<u>Y</u>	N	A
OURADA	<u>Y</u>	N	A
HARSDORF	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	<u>N</u>	A
COGGS	<u>Y</u>	N	A

AYE 13 NO 2 ABS 1